

Notes to Consolidated Financial Statements – Continued

CharterMac & Subsidiaries

NOTE 9 • Notes Payable

Since June 1999, our Company, through a consolidated subsidiary, has issued multiple series of “Cumulative Preferred Shares”.

Preferred Series	Date of Issuance	Mandatory Tender	Mandatory Repurchase	Number of Shares	Preference per Share	Liquidation Total Face Amount	Dividend Rate
Series A	06/29/99	06/30/09	06/30/49	45	\$2,000,000	\$90,000,000	6.625%
Series A-1	07/21/00	06/30/09	06/30/49	48	500,000	24,000,000	7.100%
Series A-2	10/09/01	06/30/09	06/30/49	62	500,000	31,000,000	6.300%
Series A-3	06/04/02	10/31/14	10/31/52	60	500,000	30,000,000	6.800%
Series B	07/21/00	11/30/10	11/30/50	110	500,000	55,000,000	7.600%
Series B-1	10/09/01	11/30/10	11/30/50	37	500,000	18,500,000	6.800%
Series B-2	06/04/02	10/31/14	10/31/52	50	500,000	25,000,000	7.200%

In connection with the offerings of these Cumulative Preferred Shares, we caused 100% of the ownership of Origination Trust to be transferred to Equity Issuer, a Delaware business trust and a consolidated indirectly-owned subsidiary in which we own 100% of the common equity. Equity Issuer then issues the Cumulative Preferred Shares and, as a result, Equity Issuer became the direct and indirect owner of the entire outstanding issue of revenue bonds held by the Origination Trust and Owner Trust and its directly-owned and indirectly-owned subsidiaries (see discussion of Private Label Tender Option Program, above). In addition to contributing the ownership of Origination Trust, we also contributed certain additional revenue bonds to Equity Issuer.

Each series of Cumulative Preferred Shares has an annual preferred dividend payable quarterly in arrears upon declaration thereof by the Board of Trustees, but only to the extent of tax-exempt net income for the particular quarter. All series of Cumulative Preferred Shares are subject to mandatory tender by the holders thereof for remarketing and purchase on their respective mandatory tender dates and each remarketing date thereafter at their respective liquidation preference per share plus an amount equal to all distributions accrued but unpaid.

Holders of Cumulative Preferred Shares may elect to retain their shares upon remarketing, with a distribution rate to be determined immediately prior to the remarketing date by the remarketing agent. Each holder of Cumulative Preferred Shares will be required to tender its shares to the Issuer for mandatory repurchase on the mandatory repurchase date, unless we decide to remarket the shares on such date. Cumulative Preferred Shares are not convertible into common shares of our Company.

The Series A, A-1, A-2 and A-3 Cumulative Preferred Shares rank, with respect to payment of distributions and amounts upon liquidation, dissolution or winding-up of our Company, senior to all classes or series of Convertible CRA Shares, Series B, B-1 and B-2 Cumulative Preferred Shares and Common shares of our Company. The Series B, B-1 and B-2 Subordinate Cumulative Preferred Shares rank, with respect to payment of distributions

and amounts upon liquidation, dissolution or winding-up of our Company, senior to our Company’s common shares and our Convertible CRA Shares and junior to the Issuer’s Series A, A-1, A-2 and A-3 Cumulative Preferred Shares.

Since issuance of the Cumulative Preferred Shares, all quarterly distributions have been declared at each stated annualized dividend rate for each respective series and all distributions due have been paid.

In accordance with FAS 150, we began, in July 2003, to include the Cumulative Preferred Shares in the liability section of our consolidated balance sheet, and to include the dividends paid in those shares as an interest expense on our consolidated statement of operations.

NOTE 10 • Income Taxes

The income tax benefit (provision) consisted of the following components:

	2003	2002
Current:		
Federal	\$(2,212)	\$(1,303)
State and Local	(1,207)	(520)
Total current	\$(3,419)	\$(1,823)
Deferred Federal, State and Local	9,491	539
Total benefit (provision) for income taxes	\$ 6,072	\$(1,284)

Until December 30, 2001, PWF elected for both Federal and state income tax purposes to be treated as an S corporation. As an S corporation, the net earnings of PWF were taxed directly to its stockholders rather than PWF.

Deferred income tax assets and liabilities are computed